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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Procurement reform

Report of the Secretary-General

SUMMARY

The present report is submitted to the General Assembly pursuant to its decision 50/479 of 11 April 1996.

The report provides information about the procurement reform process and details with respect to the actions already taken, or in progress, regarding the implementation of the reform measures, including the organization and structure of the Procurement and Transportation Division, training of procurement officers, revised delegation of procurement authority, greater use of systems contracts, updating the Supplier Roster, strengthening the Headquarters Committee on Contracts and the local committees on contracts, increasing their procurement thresholds, defining responsibilities, authority and accountability, streamlining procedures, publicizing contract activities and awards, and developing information technology in support of procurement activities.

The Secretary-General is fully committed to the reform of the United Nations procurement system. He is determined to establish an efficient and responsive procurement process that ensures that goods and services are obtained in an expeditious and cost-effective manner. The Secretary-General believes that the revised procurement policies and procedures will provide a truly competitive, fair and transparent process with clearer lines of responsibility, authority and accountability, as well as appropriate control mechanisms.

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I. INTRODUCTION

1. The present report is submitted to the General Assembly pursuant to its decision 50/479 of 11 April 1996. Progress reports on the implementation of procurement reform in the United Nations Secretariat were submitted by the Secretary-General to the General Assembly in June 1995 (A/C.5/49/67), in November 1995 (A/C.5/50/13) and in February 1996 (A/C.5/50/13/Rev.1). The present report provides information on the progress achieved since the last report.

2. The Secretary-General is fully committed to the reform process of the United Nations procurement system, and has taken into account all relevant General Assembly resolutions and decisions as well as the recommendations made by the independent High-level Group of Experts on Procurement, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors and the Office of Internal Oversight Services. Many of the reforms are already in place, while others are still in progress or planned for implementation. Although the current emphasis has been focused on Headquarters activities, some of the reform measures have already been applied to field missions, offices away from Headquarters and international criminal tribunals.

3. As previously stated (A/C.5/50/13/Rev.1, para. 10), the reform of the United Nations procurement system, urgent as it may be, cannot be brought about overnight. The current Financial Regulations and Rules of the United Nations are highly rigid and extremely restrictive as they relate to procurement, and are presently being reviewed with a view to simplifying them. In addition, implementation of certain measures, such as the integration of procurement activities at Headquarters, which was recommended by the Advisory Committee on Administrative and Budgetary Questions in paragraphs 4 and 13 of its report (A/50/7/Add.13), are pending presently, awaiting the outcome of the overall review of the procurement structures.

II. ORGANIZATION AND STRUCTURE

4. As part of the reform of the United Nations procurement system, the Purchase and Transportation Service was restructured and established as the Procurement and Transportation Division, effective 1 January 1996. The head of the Division reports directly to the Assistant Secretary-General for Conference and Support Services. The Division was then organized into three sections: the Commodity Procurement Section, the Support Services Section and the Transportation Section. Details of the functions of the Division and each of its sections were provided in paragraphs 11 to 19 of the February 1996 report of the Secretary-General (A/C.5/50/13/Rev.1).

5. Taking into account the observations made by the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13) and the Board of Auditors as well as the experience gained since January 1996, the Commodity Procurement Section has been divided into two separate sections, each headed by a Chief of Section at the P-5 level, effective 1 October 1996. Further, the number of clusters has been consolidated and reduced from 11 to 8, with each chief of

section responsible for four clusters. Each cluster has a senior procurement officer at the P-4 level, to render advice and guidance to procurement officers at the lower levels, in order to ensure compliance with the Financial Regulations and Rules as well as established procurement policy and procedures.

6. Details of the new structure and organization of the Division are reflected in annexes II and III to the present report. As recommended by the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 8), the new structure and organization of the Division will enhance necessary internal supervision, strengthen control mechanisms and provide appropriate lines of responsibility, authority and accountability.

III. TRAINING FOR PROCUREMENT

7. All eligible procurement officers have attended, in addition to the joint training programme offered by the United Nations Office for Project Services in conjunction with George Washington University's Government Contracts Program, a number of procurement conferences, seminars and exhibitions to enhance their knowledge of, and familiarity with, the products and services available in local and international markets (eight of them during the period January to September 1996). Finally, on-the-job training has been provided to all staff members concerned on a regular basis.

8. An increasing number of representatives from permanent and observer missions, consulates and trade commissions frequently visit the Division in order to introduce representatives of suppliers from their respective countries, inquire about supplier registration and learn about the procedures for doing business with the United Nations. Such contacts have been very useful in developing and expanding the Division's Supplier Roster as well as providing the opportunity for procurement officers to familiarize themselves with market and industry trends.

9. The Division has also initiated an arrangement whereby groups of company and industry representatives are briefed on how to do business with the United Nations. Such arrangements are made by the permanent and observer missions to the United Nations, and by consulates and trade commissions in New York City. This initiative has been particularly useful for suppliers from overseas, inasmuch as the Division's staff, owing to budgetary constraints, are not able to travel away from Headquarters, unless invited by Governments or organizations, at no cost to the United Nations. These briefings provide suppliers with the opportunity to explain or demonstrate their products while, at the same time, enabling the Division's personnel to familiarize themselves with new suppliers and the goods and services they offer. Already, three such briefings have been held in 1996 and were attended by staff members of both the Division and the Field Administration and Logistics Division of the Department of Peacekeeping Operations.

IV. DELEGATION OF AUTHORITY

10. The thresholds for the delegation of procurement authority under the terms of financial rules 110.17 and 110.19 for Headquarters and offices away from Headquarters, as well as for field missions and international criminal tribunals, were revised and implemented, effective 15 August 1996, as indicated in annex IV to the present report. It will be noted from annex IV that the local committees on contracts have authority to consider cases ranging from $50,000 to $200,000, while the Headquarters Committee on Contracts will consider cases in amounts above $200,000 for commitments presented by both the Division and the local committees on contracts. The revised thresholds will facilitate the work of the Division, but also of the offices away from Headquarters, field missions and the international criminal tribunals, through the reduction of the lead time in which commitments can be made without the need for presentation to Headquarters. This will also reduce the number of relatively low-value cases being reviewed by the Division and the Headquarters Committee on Contracts, thereby allowing all concerned more time to concentrate on cases with higher values and more critical delivery schedules.

11. The revised delegation of purchasing authority under the terms of financial rule 110.16 has also been implemented as of October 1996. The authority to undertake procurement activities and the levels of signature for commitments are now specifically granted to individual procurement officers. In this connection, individual delegation of signing authority at Headquarters has been issued based upon the experience, competence and qualifications of each of the procurement officers. The individual delegation is addressed to each procurement officer in writing and cites the applicable financial rules, the categories of commodities and services assigned and the monetary level of signing authority. It should be noted, however, that the assignments for procurement of commodities and services are subject to change at the discretion of the Officer-in-Charge of the Division, based on the workload and the concept of periodic rotation of procurement officers and their assignments within the Division. The format of the individual delegation of procurement authority applicable to the procurement officers of the Division has been provided to offices away from Headquarters, field missions and the international criminal tribunals for their use and guidance. All the offices concerned have been requested to report to the Division on the implementation of this new requirement.

V. SYSTEMS CONTRACTS

12. In previous reports to the General Assembly, the term "systems contracts" was given a very narrow definition, thus underrating the considerable progress that has been made in their use. The aim of systems contracts, which also includes blanket purchase orders, is to forecast and consolidate anticipated requirements of goods and services for a defined period of time and to enter into an agreement with suppliers on the best available terms and conditions. The main advantages of systems contracts are achieving efficiencies in procurement while deriving economic benefits from consolidated requirements and reducing the number of individual requisitions to be processed. It should be noted, however, that such contracts, while relieving procurement officers from

routine and repeated bidding exercises, demand far greater vigilance in monitoring vendor performance and carrying out effective contract administration.

13. Some of the important areas where systems contracts have been put in place are, among others, logistical services for field missions, vehicle spare parts, office furniture, office supplies, long-term air services requirements for field missions, freight forwarding services, removal of household goods, travel services, night vision equipment for missions, petroleum, oil and lubricant requirements for missions, uniforms and accoutrements, bulk-mailing services and printing services.

14. From January to September 1996, the Division effected 109 blanket purchase orders. These were established for specific requirements, thus enabling requisitioners to draw from them on an annual basis. The Division continues to identify, in consultation with the substantive departments and offices concerned, additional goods and services which are suitable for procurement utilizing systems contracts. In order to cut costs and ensure better delivery times, greater use of systems contracts will continue to be made to the extent possible, in line with the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see A/50/7/Add.13, para. 17).

15. In 1995, more than 200 air transportation contracts were issued, totalling $166.7 million. From January to September 1996, the total number of contracts was slightly over 100, with a total value of $107.4 million. Recent examples of air transportation requirements for troop rotations have demonstrated several problems involved in the current practice. In general, the current procurement practice has been to go through a bidding procedure, often on very short notice, to provide the required aircraft. The practice is not satisfactory and a better system is required.

16. The problems encountered by the Division in connection with air transportation contracts relate generally to delays in obligating and certifying funds, frequent requests and changes in operational requirements by field missions and troop-contributing Governments, delays in receipt of documentation for aircraft safety evaluation, and the short time-frame for procurement action. To overcome some of these problems, the Division and the Field Administration and Logistics Division are currently considering the possibility of establishing block charters and stand-by contracts for troop rotations.

17. Food rations contracts for a number of small peacekeeping missions, which traditionally have been contracted separately, have been reviewed by the Field Administration and Logistics Division and the Procurement and Transportation Division with a view to exploring the desirability of establishing systems contracts. As a result of such review, the Division is now in the process of soliciting proposals for consolidated requirements for three peacekeeping missions. Appropriate termination clauses will be incorporated into such contracts in order to protect the Organization in case mandates and services need to be terminated or interrupted on short notice.

VI. SUPPLIER ROSTER

18. The existing Supplier Roster of the Division, which previously comprised 4,000 firms from the majority of the Member and observer States, has been vetted and updated. As a result of this exercise, 1,250 suppliers from the old Roster have been re-registered. In addition, approximately 1,000 new applications have been received, out of which 300 suppliers have already been evaluated and registered, thereby bringing the total number of registered suppliers to 1,550 in the current Roster. As a result of the implementation of release 3 of the Integrated Management Information System (IMIS) in April 1996, the Division and the Department of Development Support and Management Services now share the same database. In order to expand the Roster, in March 1996 the Division wrote to all Member and observer States and requested their support and participation in the effort to increase the Division's access to a large pool of potentially qualified suppliers. Copies of the registration materials were sent to each of these Member and observer States through the permanent and observer missions at Headquarters. The results so far have been encouraging, with many missions, consulates and trade commissions maintaining daily contact with the Division. Furthermore, the Division intends to make use of the United Nations information centres and United Nations Development Programme (UNDP) country offices by providing them with the application forms both in a diskette format and hard copies for distribution to interested suppliers. The above measures, as those referred to in paragraphs 19 to 27 below, are in line with paragraph 3 (e) of General Assembly resolution 49/216 C of 23 December 1994, and the recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, paras. 21 and 22).

19. The Supplier Roster has been made available in diskette form and also through electronic media to the Department of Peacekeeping Operations for distribution to all peacekeeping missions, all offices away from Headquarters, international criminal tribunals and the Inter-Agency Procurement Services Office in Copenhagen, as part of the efforts to develop and promote coordination in the United Nations procurement system. As new suppliers are added to the Roster, addenda are issued on a regular basis. Likewise, the database of the Inter-Agency Procurement Services Office, comprising about 8,000 suppliers, has also been made available to the Division, and other members of the Inter-Agency Procurement Working Group, under the auspices of the Inter-Agency Procurement Services Office, through electronic media or in diskette form.

20. Procedures pertaining to supplier pre-qualification and registration have been revised and implemented since June 1996. The application package is available in a diskette format and in hard copy. The procedures set forth the criteria for evaluation, the modalities for registration, the process for suspending or removing a supplier from the Roster and the methodology for maintaining an active and viable Roster.

21. A Supplier Roster Officer is assigned the functions of registering suppliers, administering the Roster and serving as Secretary of the Supplier Review Committee, which is composed of the chiefs of the two Commodity Procurement Sections, the Officer-in-Charge of the Support Services Section, and is chaired by the Officer-in-Charge of the Division. The Supplier Roster

Officer also provides briefings and support services to a working group composed of eight procurement officers established to evaluate the applications.

22. Applications that do not meet the minimum criteria in the initial evaluation are submitted to the Supplier Review Committee for further review. Unsuccessful applicants are informed of the reasons and given the opportunity to update their information if they so desire. The Supplier Review Committee also reviews and takes decisions on the removal and suspension of suppliers on the grounds of, inter alia, poor performance or misrepresentation.

23. The following are the main criteria for evaluating suppliers: the relevance of the commodity or service the supplier offers; the financial soundness of the firm; and appropriate business experience, capacity, structure, quality assurance and technical competence. The pre-qualification of suppliers is of primary importance in ensuring that the Supplier Roster contains viable suppliers that can reasonably be expected to perform satisfactorily should they be awarded contracts.

VII. SELECTION OF SUPPLIERS FOR SOLICITATION OF TENDERS AND ADVERTISING FOR TENDERS AND AWARDS

24. The revised policy guidelines on supplier selection have been issued to the procurement officers in the Division. The selection of suppliers to be invited to participate in the bidding process is based primarily on the Supplier Roster, utilizing the professional input of procurement officers, supplemented by a computerized system to ensure fairness, transparency and as wide a selection internationally as possible. However, if a supplier that is not already on the Supplier Roster is successful in the bidding process where, for example, it has submitted a tender in response to an advertisement and/or other means of solicitation, the supplier is checked out thoroughly to ensure that it is qualified to undertake such contractual obligation, and the supplier is registered provisionally. Full registration must be completed within 90 days from the date of the award of contract. If not registered, the supplier is requested to apply and be qualified before being invited to participate in future bids or tenders.

25. Use of suppliers recommended by requisitioners has been the subject of observations by the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions. Any supplier recommended by a requisitioner, if it is registered on the Supplier Roster, is subjected to the same selection process applied to other suppliers. Under the revised procedures, when a supplier has been suggested by a requisitioner, the Division uses extreme caution to ensure that the supplier will not receive any preferential treatment by any department, office or individual.

26. The procedures for advertising tenders emphasize the principle of competitive bidding through the issuance of invitations to bid, requests for proposal and requests for quotation. Open advertising of requirements through the media, newspapers and trade journals are utilized where feasible.

27. The bid opening procedures have been revised, and provide further clarity, fairness and transparency. Contract awards are regularly announced in Procurement Update published by the Inter-Agency Procurement Services Office, which is distributed to all permanent and observer missions and is also available to the business community. On a selective basis, electronic bulletin boards are utilized. The measures taken are in line with the recommendation of the General Assembly in paragraph 3 (f) of its resolution 49/216 C.

VIII. HEADQUARTERS COMMITTEE ON CONTRACTS

28. For the year 1994, the Headquarters Committee on Contracts reviewed a total of 1,185 cases, with a total value of $1,378,861,841. In 1995, it reviewed 1,058 cases, with a total value of $1,118,198,195, and from January to August 1996, it reviewed 410 cases, with a total value of $378,126,128 (for details, see annexes V-VII to the present report).

29. Since June 1995, the Headquarters Committee on Contracts has had a full-time Chairman and Secretary, who also serve, respectively, as Chairman and Secretary of the Headquarters Property Survey Board.

30. The revised policy guidelines and procedures for the Headquarters Committee on Contracts have been finalized and are being implemented. The policy describes in detail the criteria for presentation of cases to the Headquarters Committee on Contracts as provided for in financial rules 110.17 and 110.19, and includes the revised threshold of $200,000 for cases to be submitted by the Division and the local committees on contracts. It also describes the composition, functions and responsibilities of the Committee. Pursuant to the recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 28), the practice of having a staff member from the Office of Internal Oversight Services participating in the Committee's meetings as an observer has been discontinued. Furthermore, the measures taken and referred to in paragraphs 31 to 35 below are in accordance with the recommendations made by the General Assembly in paragraph 3 (b) of its resolution 49/216 C, as well as by the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 27) and the Board of Auditors.

31. The revised procedures also describe the new format and content of presentations, as well as the workflow of the review process. Under the new procedures, presentations for the regular weekly meetings of the Headquarters Committee on Contracts should be delivered to the Chairman of the Committee at the latest on Thursday, for consideration the following Tuesday. Thus, members of the Committee have at least two full working days, in addition to the weekend, to review the cases submitted. Urgent presentations may be made on shorter notice, but only if full justification is provided to the Committee. Should the Committee not be satisfied with the justification provided, it has the right, after consultation with the Assistant Secretary-General, to reject such requests. Such rejections have been made on a number of occasions.

32. All offices away from Headquarters as well as peacekeeping missions and the international criminal tribunals were instructed, at the time when the revised thresholds were communicated to them in August 1996, to follow the newly

standardized form of presentations to the local committee on contracts and the Headquarters Committee on Contracts. Through the newly established procedures, and assisted by the Chairman of the Headquarters Committee on Contracts, the Assistant Secretary-General for Conference and Support Services has been able to exercise a much firmer control over the processing of procurement cases and has brought about significantly improved discipline and efficiency in the handling of procurement in general.

33. The dollar value of the cases coming under the exceptions to competitive bidding, authorized under financial rule 110.19, were discussed in paragraph 31 of A/C.5/50/13/Rev.1. Pursuant to paragraph 3 (b) of General Assembly resolution 49/216 C further efforts have been made to strengthen the role of the Headquarters Committee on Contracts, and to provide greater transparency in its operations in the granting of exceptions to competitive bidding under financial rule 110.19, particularly where exigency is cited as the reason for requesting such exceptions. A special effort is being made by the Assistant Secretary-General for Conference and Support Services, with the full support and cooperation of the Assistant Secretary-General for Planning and Support, Department of Peacekeeping Operations, to ensure that "exigency" is not cited as a means to conceal delays in the procurement process and the presentations to the Headquarters Committee on Contracts.

34. Furthermore, a significant reduction in the dollar value of the contracts awarded on the basis of authorized exceptions to competitive bidding under the Financial Regulations and Rules has also been achieved, as indicated below:

	Number of cases	Amount ($)	Percentage of total procurement	Annex
1994	344	469 646 291	34.06	V
1995	268	281 661 280	25.19	VI
1996 (Jan.-Aug.)	110	68 218 169	18.04	VII

35. It should be noted that, while under the Financial Regulations and Rules, contracts must be awarded generally through a competitive bidding process, the Financial Regulations and Rules also provide that contracts may be awarded on an exceptional basis without calling for proposals, advertising or formal invitations to bid under the following circumstances: the proposed contract involves commitments for less than $25,000; the prices are fixed pursuant to national legislation or by regulatory bodies, e.g., by Governments; the purchase relates to a standardization of supplies or equipment; a procurement action is under an exigency of service that does not permit a delay; it is a purchase of proprietary articles or perishables; it is a contract involving professional services or one relating to the purchase of medicines, medical supplies; or other cases in which the Assistant Secretary-General for Conference and Support Services, or other authorized officials, determines that competitive bidding or calling for proposals will not give satisfactory results. In such cases,

appropriate reasons shall be recorded in writing, in conformity with financial rule 110.19 (h).

IX. EX POST FACTO CASES

36. Pursuant to the directive made by the Assistant Secretary-General for Conference and Support Services, the Chairman of the Headquarters Committee on Contracts has been making an intensive effort to reduce the number of ex post facto cases coming to the Committee. Similar efforts are applied in respect of partial ex post facto cases.

37. In a memorandum dated 11 April 1996 addressed to the Assistant Secretary-General for Planning and Support, Department of Peacekeeping Operations, and a similar memorandum dated 25 July 1996 to the Officer-in-Charge of the Procurement and Transportation Division and to all executive officers at Headquarters, chiefs of administration at offices away from Headquarters and international criminal tribunals, the Assistant Secretary-General for Conference and Support Services has established strict procedures in processing ex post facto and partial ex post facto cases. In particular, the Assistant Secretary-General has made it clear that the officials concerned at the above-mentioned offices should be notified that they will be held personally accountable for authorizing any ex post facto, or partial ex post facto case which cannot be properly justified to, and an exception granted by the Assistant Secretary-General for Conference and Support Services, "as seriously jeopardizing the operational capability of the mission or endangering the lives of United Nations troops or other personnel". These requirements apply to all of the United Nations offices mentioned above.

38. As a result of the above directive (and as reflected in annexes VI and VII to the present report), procurement through competitive bidding has increased in value from 48.19 per cent for the year 1995 to 61.36 per cent during the period January-August 1996. At the same time, as reflected in annex VIII to the present report, even though there were 204 ex post facto cases representing 18.81 per cent ($210,316,972) of the total procurement value for 1995, there were 86 ex post facto cases representing 18.82 per cent ($71,172,942) of the total procurement value for the period January-August 1996. In partial ex post facto cases also, the figures show a marked reduction from 296 cases, representing 31.87 per cent ($356,357,770) of the total procurement value for 1995, to 94 cases, representing 15.33 per cent ($57,974,073) of the total procurement value for the period January-August 1996.

39. The Assistant Secretary-General for Conference and Support Services and the Assistant Secretary-General for Planning and Support, Department of Peacekeeping Operations, have been working very closely to eliminate, to the maximum extent possible, delayed presentations to the Headquarters Committee on Contracts, simply as ex post facto cases, without any justification.

40. It should be noted, however, that while further improvements will be achieved, all ex post facto or partial ex post facto cases cannot be eliminated totally. In some cases, for example, a mandate of a particular mission is either established or extended on extremely short notice, and legally no

contractual commitments can be made before then. In some cases arrangements through letters of assist are used for the transportation of troops by Governments using their own national carriers to meet operational requirements, prior to internal United Nations approvals being obtained. Ex post facto cases also occur as a result of liquidation of missions, such as the United Nations Protection Force and the United Nations Assistance Mission in Rwanda. Hence, ex post facto cases cannot be eliminated altogether. However, as previously noted, all officials concerned have been directed to explain fully, and to justify each case in writing, bearing in mind their respective full accountability for their actions. The new procedures will be strictly monitored and enforced.

41. With the full support of the Assistant Secretary-General for Conference and Support Services, the Headquarters Committee on Contracts has been asserting itself and playing an increasingly independent role in the procurement process, insisting on credible responses to clarifications sought by the Committee, having no hesitation to refuse to consider late or incomplete presentations. At the same time, the Committee is also held fully accountable for its own actions.

X. LOCAL COMMITTEES ON CONTRACTS

42. In the light of the recently revised thresholds for procurement authority, the functioning of the local committees on contracts is continuously being reviewed and reinforced. Uniform application of procurement policy and procedures, as well as format for presentations, as at Headquarters, will be strictly enforced in offices away from Headquarters, field missions and international criminal tribunals.

43. Recommendations of the local committees on contracts in offices away from Headquarters, at field missions and international criminal tribunals are normally submitted to the respective chiefs of administration. Henceforth the chiefs of administration are no longer allowed to serve either as members of the local committee or participate in the deliberations of the local committee concerned, in order to remove any potential for, or appearance of, conflict of interest. Exceptionally, however, a chief of administration may be a member of a local committee on contracts, if the committee is advisory to an official senior to the chief of administration who has the authority to approve the recommendations of the committee.

XI. INFORMATION TECHNOLOGY

44. With release 3 of IMIS, the integration process of the procurement software, REALITY, which has been in use by the Division over the last several years, continues to make progress. Additional enhancements and refinements continue in an effort to maximize data exchange between the two systems. Most importantly, the financial controls between the two systems have been implemented and are fully functioning. All requisitions are now pre-encumbered and purchase orders obligated electronically to ensure that funds are available before commitments are made.

45. A United Nations Procurement Catalogue for frequently requisitioned items has been prepared and is currently utilized by departments and offices with access to IMIS. One of the benefits of the Catalogue is that it directs requisitioners towards the selection of those items that have clearly defined specifications and are commonly used. The Catalogue not only promotes cost savings but, in addition, expedites the processing of requisitions by both the requisitioners and procurement officers. The expansion and development of the Catalogue is an integral part of the continuous improvement efforts under way in the Division.

XII. ADVANCED PROCUREMENT PLANNING AND COORDINATION IN PROCUREMENT

46. Further progress has been made in bringing about closer coordination between the Departments of Administration and Management and Peacekeeping Operations and the Office of Legal Affairs. The respective responsibilities of the Division, the Field Administration and Logistics Division and the Office of Legal Affairs with regard to procurement have been defined further and more precisely in an effort to remove bottlenecks and to ensure an efficient and effective system of procurement, where each knows the extent and boundaries of its responsibilities. Monthly meetings are held between the senior officials of the Division, the Field Administration and Logistics Division and the Office of Legal Affairs to plan and review strategies on a number of major contracts. At such meetings, issues concerning schedules, priorities, potential problems and solutions are discussed and decisions are taken. This has proven to be particularly effective when dealing with major contracts such as those for food rations, air transportation, shipping, logistics support contracts, and maintenance contracts. The aforementioned measures are in line with the recommendations of General Assembly resolution 49/216 C, paragraph 3 (d), and the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 24) to improve procurement planning, particularly in peacekeeping operations, as well as the recommendations of the Board of Auditors.

47. The Office of Legal Affairs provides legal advice and assistance to the Division and plays an active role in matters related to the settlement of claims, the resolution of contractual problems, and in drafting contracts that may differ significantly from those which are in standard usage, as well as in drafting invitations to bid, requests for proposal and requests for quotation.

48. The Division and the Field Administration and Logistics Division work closely on major service contracts such as those on logistics support, air charters, shipping, food rations and telecommunications systems, among others. The Field Administration and Logistics Division reviews all the requirements and controls the expenditures for peacekeeping missions, prepares the requisitions and, where possible, consolidates requirements of similar nature, and submits the requisitions to the Division for procurement action. Requests for proposal and invitations to bid are reviewed by the Division and the Field Administration and Logistics Division, with the assistance of the Office of Legal Affairs, in order to ensure accuracy of specifications and delivery schedules prior to issuance of such tender documents by the Division to prospective bidders. Upon receipt of the responses to the tenders, the Field Administration and Logistics

Division provides the technical evaluation, and the Division carries out the financial evaluation. The Field Administration and Logistics Division also reviews air safety and maintenance operations, registration and other documents related to the aircraft chartered or about to be chartered. It also prepares or refines the specifications and sets delivery schedules for all its requirements submitted to the Division. Both Divisions are represented at the meetings of the Headquarters Committee on Contracts to respond to any questions that may arise and/or provide additional information, when necessary. Once the contracts are finalized and signed by the Division, the Field Administration and Logistics Division administers them itself or instructs and monitors peacekeeping missions on the administration of such contracts.

49. Similarly, the Division works closely with other substantive departments and offices in the procurement of goods and services and relies on them for technical evaluations.

50. The Inter-Agency Procurement Working Group, under the auspices of the Inter-Agency Procurement Services Office, meets annually to discuss such matters as vehicle standardization, supplier appraisal and performance rating system, as well as to confer on common problems and to coordinate efforts on a number of procurement issues, such as harmonization on general conditions of contracts. Ad hoc meetings on specific issues are also held from time to time. The Division is an active member of the Working Group. As mentioned in paragraph 19 above, the Division and the Inter-Agency Procurement Services Office have exchanged their respective supplier rosters, for use by all 37 member organizations of the Working Group. The announcement of United Nations contract awards through Procurement Update issued by the Inter-Agency Procurement Services Office is yet another example of the improved coordination in procurement, that has been put into effect.

51. The Division is also available, whenever requested, to provide advice and assistance to offices away from Headquarters, field missions and international criminal tribunals, on any aspect of procurement, including certain clauses of contracts, as well as the drafting of invitations to bid, requests for proposal and requests for quotation. Chiefs of administration and procurement units/sections from such offices are regularly briefed by the Division during their visits to Headquarters, on procurement and transportation issues.

52. A new Procurement Manual is under preparation and is expected to be issued during the first quarter of 1997, which will serve as the main reference and training document for all procurement offices in the United Nations, including field missions, offices away from Headquarters and international criminal tribunals. Over half of the existing Manual has been revised in one form or another, and most of the revised provisions, although not yet issued, are being implemented throughout the United Nations procurement system.

XIII. INVENTORY OF ASSETS

53. With regard to the establishment of full inventory systems of existing assets so that the United Nations assets are identified and their location and condition are, as called for by the High-level Group of Experts on Procurement,

and recommended by the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 20), urgent efforts are under way to design and implement an effective system for peacekeeping assets, which will include levels of stocks to be retained for use in future missions, as necessary (see report of the Advisory Committee on Administrative and Budgetary Questions contained in A/50/985 on the reports submitted by the Secretary-General in A/49/396, A/50/907 and A/50/965). The Secretary-General has also submitted to the General Assembly his report on an inventory control system for non-expendable property at Headquarters (A/C.5/50/51, and the comments thereon by the Advisory Committee on Administrative and Budgetary Questions in A/50/985). An additional report by the Secretary-General on the management of peacekeeping assets will be submitted to the General Assembly at its fifty-first session.

XIV. STAFF RESOURCES AND WORKLOAD

54. The overall level of staff resources currently available to handle procurement work within the Division is as follows: 30 posts at the Professional level (12 under the regular budget and 18 under the peacekeeping support account), and 32 posts at the General Service category (21 under the regular budget and 11 under the support account). The corresponding figures for 1995 were as follows: 32 posts at the Professional level (13 under the regular budget and 19 under the support account) and 47 posts in the General Service category (30 under the regular budget and 17 under the support account). It must be noted that in assisting staff at the Professional level, General Service staff members perform essential functions in all aspects of procurement and support services. Apart from the reduction of posts between 1995 and 1996 (2 in the Professional and 15 in the General Service categories, including those General Service posts that were transferred to the Office of Programme Planning, Budget and Accounts, together with the invoice processing functions), the Division has lost 11 additional posts that were temporarily loaned from other areas to cope with the workload in the Division.

55. The Division has been experiencing some difficulties owing to the departure of staff members leaving to take up appointments elsewhere within the United Nations or outside the Organization, given the uncertainties associated with the ad hoc nature of the posts funded under the support account. The Division continues to benefit, however, from the services of four officers, from Ireland, Norway, Spain and the United States of America, currently seconded by their respective Governments at no cost to the Organization. However, pursuant to the Financial Regulations and Rules of the United Nations, the officers concerned do not have delegated procurement signing authority. The Secretary-General is most appreciative of the very valuable expertise provided to the Division by the Governments concerned.

56. From January to August 1996, the Division processed procurement requirements in the amount of $340 million (expected to exceed $400 million by the end of the current year), involving a total of 2,062 purchase orders and/or contracts. In addition, the Division prepared and submitted 301 presentations to the Headquarters Committee on Contracts, and reviewed and submitted to the Committee a total of 109 presentations from local committees on contracts,

involving a total of $378,126,128. Further details are provided in annexes IX to XIII to the present report.

57. The Division serves also as the focal point for handling the myriad of inquiries and complaints by suppliers as well as Member and observer States. It also provides assistance in the preparation of documentation requested by the Office of Legal Affairs concerning arbitration, claims and contractual disputes.

58. Owing to the current overall budgetary constraints, it has not been possible to identify an existing post at the appropriate level for redeployment to designate a staff member to serve as the Supplier Relations Officer. Accordingly, the Assistant Secretary-General for Conference and Support Services, assisted by his Principal Officer, has also undertaken that function, until more suitable arrangements can be made.

59. Staff members of the Division are required to respond to numerous requests for information as well as prepare written responses to, and/or comments on, reports submitted by external and internal auditors, the Office of Internal Oversight Services and the Joint Inspection Unit, among others. From January to August 1996, the Division responded to a total of 55, often very long, audit communications, reports and management letters received from the Board of Auditors and the Office of Internal Oversight Services, in addition to a number of reports on investigations by the Office of Internal Oversight Services, and the Joint Inspection Unit.

60. Field missions and substantive offices at Headquarters, such as the Buildings and Commercial Services Division, Electronic Services Division, and the Transportation Section of the Procurement and Transportation Division of the Office of Conference and Support Services, have made considerable progress in appointing contract administrators and/or designating staff members and assigning them additional responsibilities, to ensure the effective implementation of contractual obligations. The Division, by effectively utilizing the concept of systems contracts, has also been monitoring vendor performance. A standard procedure will soon be established for the preparation of performance evaluation reports on vendors, particularly those with major contracts, on a regular basis. These measures are in line with the recommendations of General Assembly resolution 49/216 C, paragraph 3 (b), and the Advisory Committee on Administrative and Budgetary Questions (A/50/7/Add.13, para. 12).

61. The Secretary-General reiterates that the establishment of the post of Director, Procurement and Transportation Division, remains critical to the success of the reforms and proper management of the Division.

XV. CONCLUSIONS

62. Most of the recommendations made by the High-level Group of Experts on Procurement have either been fully implemented or are in an advanced stage of implementation (for details, see annex I to the present report). The recommendations, suggestions and concerns expressed by the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the Board of

Auditors and the Office of Internal Oversight Services have also, in most cases, either been addressed or are in an advanced stage of implementation.

63. In addition to ensuring compliance with United Nations regulations and rules, it is essential to instil, encourage and develop the confidence and motivation of the staff members serving in the Division. Too often they have been unjustly maligned and accused of actions that very frequently have occurred outside the realm of the Division and their responsibility. Unfortunately, there is a general tendency to place blame on the Division, a priori, for all procurement problems effecting the Organization, because procurement is the central focus of the Division, and the Division is the centre of procurement activity in the Organization.

64. The Secretary-General is satisfied that there is a renewed determination and commitment on the part of the staff of the Division to implement the necessary reforms, as directed. There is a welcome enthusiasm in the attitude in the Division, and among the staff of the Division, who have regained their confidence and the necessary motivation to carry out the tasks entrusted to them, despite the heavy demands and pressures of time. They regularly work long hours, including weekends.

65. The revised structure of the Division provides a better balance and rationalization in assignments and workloads, and will ensure adequate control and supervision. Each staff member has been assigned a specific level of procurement responsibility, authority and accountability, based on his or her experience, competence and qualifications.

66. The Headquarters Committee on Contracts has also achieved the necessary authority and confidence to assert itself independently, and to demand full compliance with regulations and rules, and established procedures, as well as directives such as those concerning ex post facto or partial ex post facto presentations.

67. There has been a noteworthy improvement in the coordination of procurement efforts between the Division, the Field Administration and Logistics Division and the Office of Legal Affairs. They work cohesively, as a team, to procure goods and services for the Organization as expeditiously as possible, effectively creating economies of scale and achieving savings for the Organization, as well as improving delivery rates.

68. The Secretary-General reiterates his full commitment to establishing an efficient, competitive, fair, transparent and responsive procurement process that ensures that goods and services, including those for field missions and in the field, are obtained as expeditiously and cost-effectively as possible. At the same time, the revised procurement procedures establish clear lines of responsibility, authority and accountability, as well as appropriate control mechanisms.

69. Finally, the Secretary-General wishes to express his gratitude to the Governments of South Africa, Sweden and the United Kingdom of Great Britain and Northern Ireland for making their respective experts available to the United Nations, at no cost, in order to assist in the implementation of the procurement

reforms. The Secretary-General also wishes to express his sincere appreciation to the experts themselves, who served the United Nations with distinction from August 1995 to July 1996, for their dedication and most valuable contribution to the work of the Organization.

ANNEX I

Accomplishments of recommendations on procurement reforms in the United Nations Secretariat

Stage 1: Recommendation that should be carried out as soon as practicable either because they give an immediate gain or alleviate the current problems, or because their gestation period is long and their completion is complementary to the Stage 2 recommendations.

	Recommendation	Action completed
1.	Implementation of a programme of professional training, starting at the buyer level.	Yes
2.	Training for management and supervisory levels on general management and commercial competencies as well as on United Nations-specific systems.	Yes
3.	Functional responsibility for all procurement to be given to the Department of Administration and Management.	Under consideration
4.	All Chief Procurement Officers to have the right of direct access to the Director, Procurement and Transportation Division, on professional matters.	Yes
5.	All requisitions for Headquarters action to go directly to the Procurement and Transportation Division and not through the Field Administration and Logistics Division, preferably electronically.	Not advisable
6.	Review and strengthening of local committees on contracts.	Yes
7.	Issuance of individual letters of delegation that clearly spell out the assignment, responsibilities and levels of signing authority.	Yes
8.	Increased delegation to the field missions in line with the suggestions detailed in annex D to the report of the Group of Experts.	Yes
9.	Issuance of a larger imprest to sector level in field missions (around $5,000), to use for day-to-day requirements; guidelines on its use to be used.	Under consideration

	Recommendation	Action completed
10.	While waiting for budget approval, authority to be given to commit up to 75 per cent of the estimated budget (under rule 110.6); priority to be given for mission-critical items.	Yes
11.	The Procurement and Transportation Division to review and implement increased numbers of global system blanket contracts.	Yes
12.	The vendor roster to be fully purged and Member States to be asked to seek national vendor registration details.	Yes
13.	Commercial generic specifications to be compiled and, where not available, United Nations-particular specifications to be developed by the Department of Peacekeeping Operations; field missions to be issued with a full list of specifications.	Yes
14.	Issuance of clear instructions on the use of immediate operational requirement. (A revised definition is given in para. 10 of the report of the Group of Experts.)	Yes
15.	The Headquarters Committee on Contracts to pre-vet only the system contracts and carry out a quality review process on a decision already made.	Not advisable
16.	Public bid openings to be stopped.	Not advisable
17.	The bottlenecks identified in the Procurement and Transportation Division at the level of the head of the Field Missions Procurement Section and head of the Processing Section to be eliminated by a better definition of responsibilities at lower levels.	a/
18.	The Procurement and Transportation Division to initiate a record system to show staff qualifications, expertise, experience and competencies, with a view to matching staff to posts.	Yes
19.	Procurement plan to be drafted to cover estimated requirements over the next 12-month period.	Not feasible
20.	All reports currently available to be critically reviewed and deleted if not used.	Yes

	Recommendation	Action completed
21.	Managers to identify their IMIS requirements: requisition value; amount spent/committed budget; demand satisfaction rate; lead times; equipment performance and trend analysis; vendor performance, etc.	Yes
22.	All relevant staff to receive both IMIS and REALITY training.	Yes
23.	Post-operation reports and/or debriefings to identify problems, solutions and recommendations for the future.	Yes
24.	All requests to vendors to allow 30 days for a response, with a minimum of 14 days for a fax response.	Not advisable
25.	An information technology coordinator to be appointed to survey and record all computer hardware and software in use, with a view to making full use of existing capabilities and expertise.	Yes
26.	Critical review of the competence of managers and move/train, if necessary.	Yes
27.	An independent complaint bureau/Supplier Relations Manager to be appointed.	See para. 57

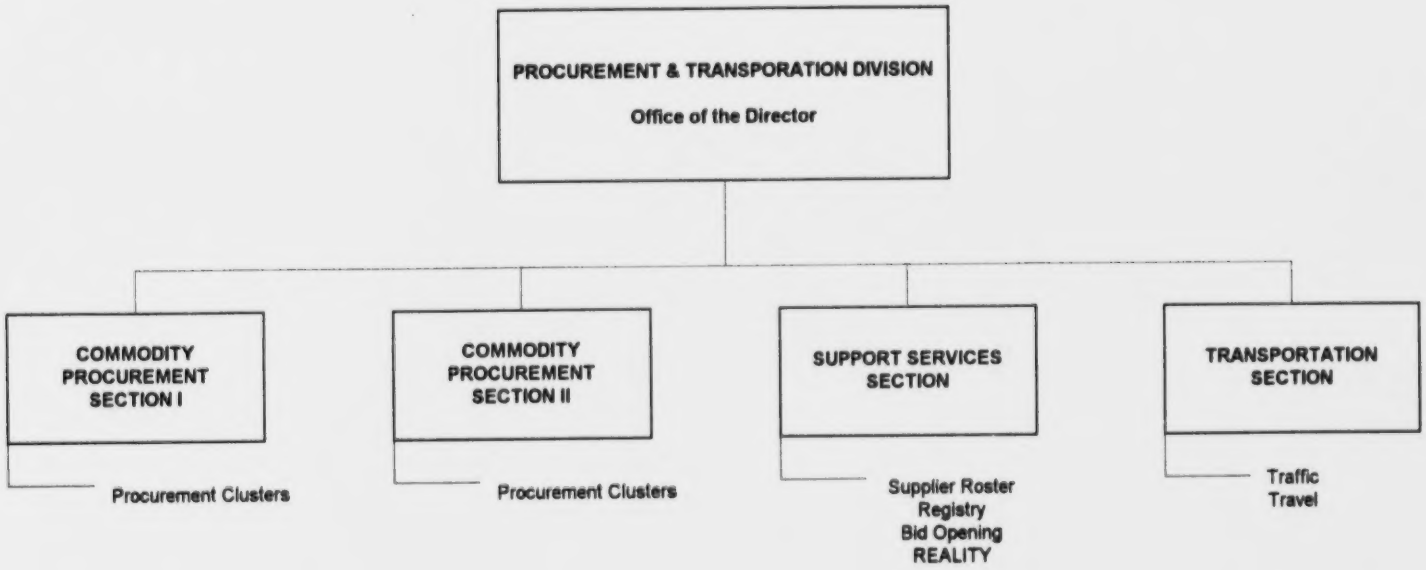
a/ The reorganization of the Division has addressed this concern.

Stage 2: Recommendations that require detailed implementation work and those which will provide the solution to see the support of the United Nations into the future. These are essential if the United Nations is to provide an efficient and cost-effective support infrastructure for the future.

	Recommendation	Action completed
1.	A logistic organization to be implemented	Under consideration
2.	A full inventory of existing assets to identify what they have, where it is and in what condition; asset redistribution could form the basis of start-up kits.	Yes
3.	A procurement policy document to be produced.	Substantially completed
4.	A procurement procedural document to be produced.	Substantially completed
5.	A standard operating manual to be written.	Substantially completed
6.	A team concept to be fostered.	Yes
7.	A mission statement to be issued.	Yes
8.	Linear responsibility charts to be generated.	Yes
9.	Major contract activity and awards to be publicized both in hard copy and on electronic media as a Contracts Bulletin, which should also include standard conditions of contracts and contract award criteria, clearly spelt out.	Yes

ANNEX II

PROCUREMENT AND TRANSPORTATION DIVISION



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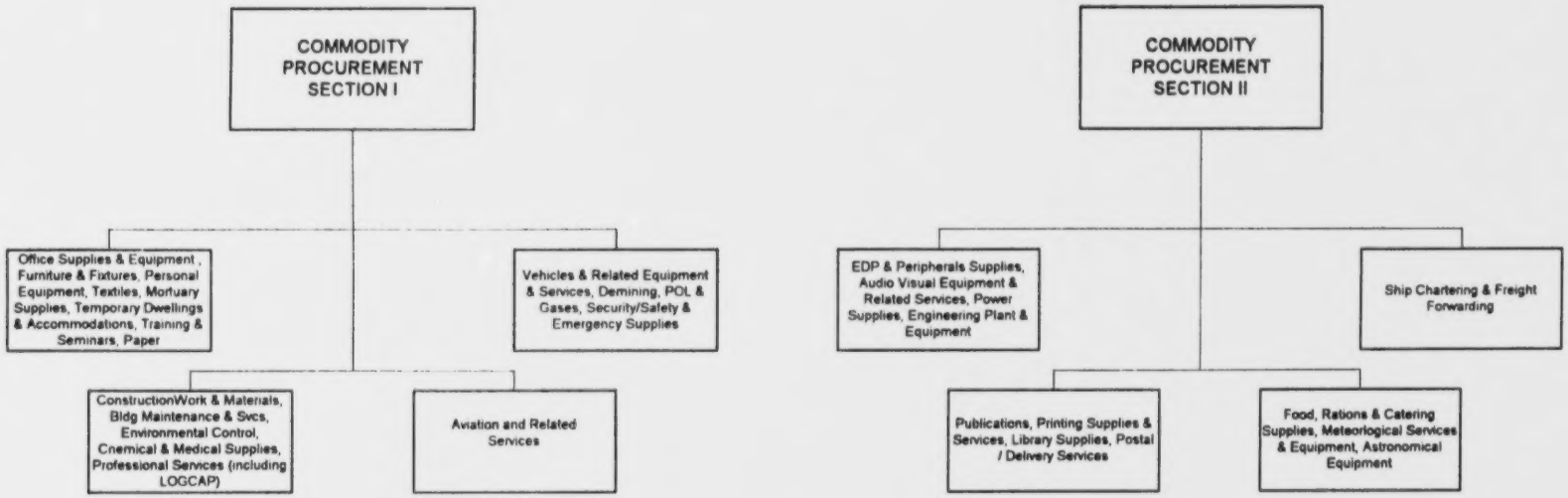
ANNEX III

PROCUREMENT AND TRANSPORTATION DIVISION

Commodity Procurement Sections


COMMODITY PROCUREMENT SECTION I
Office Supplies & Equipment , Furniture & Fixtures, Personal Equipment, Textiles, Mortuary Supplies, Temporary Dwellings & Accommodations, Training & Seminars, Paper
Vehicles & Related Equipment & Services, Demining, POL & Gases, Security/Safety & Emergency Supplies
ConstructionWork & Materials, Bldg Maintenance & Svcs, Environmental Control, Chemical & Medical Supplies, Professional Services (including LOGCAP)
Aviation and Related Services
COMMODITY PROCUREMENT SECTION II
EDP & Peripherals Supplies, Audio Visual Equipment & Related Services, Power Supplies, Engineering Plant & Equipment
Ship Chartering & Freight Forwarding
Publications, Printing Supplies & Services, Library Supplies, Postal / Delivery Services
Food, Rations & Catering Supplies, Meteorological Services & Equipment, Astronomical Equipment

ANNEX IV

Procurement thresholds (Financial rules 110.17 (a) (i), (d) (i), (e) (i), (f) and 110.19 (a))

Summary of approvals for the Headquarters Committee on Contracts and local committees on contracts effective 15 August 1996

(In United States dollars)

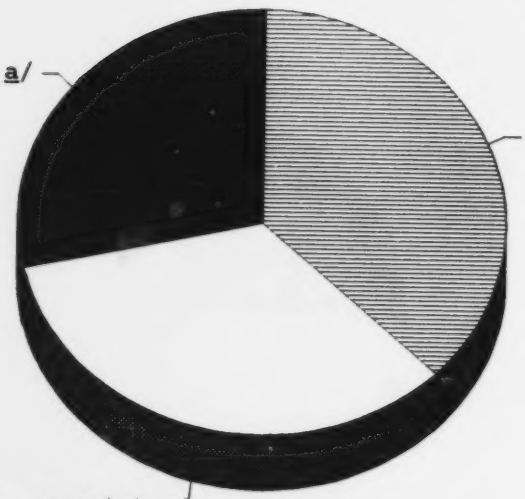
Offices	Bidding threshold	Local committees on contracts threshold	Headquarters Committee on Contracts thresholds
Procurement and Transportation Division thresholds, Headquarters	25,000	Not applicable	Over 200,000
United Nations Office at Geneva, United Nations Office at Vienna, United Nations Office at Nairobi	25,000	Over 150,000	Not applicable
Regional economic commissions; international criminal tribunals; UNIKOM; UNDOF; MINURSO; UNOMIG; UNOMIL; MINUGUA; UNTSO; UNFICYP; UNIFIL; UNAVEM III; UNPF; UNMIBH; UNPREDEP; and UNTAES	20,000	50,000-200,000	Over 200,000

ANNEX V

Headquarters Committee on Contracts

Value of cases recommended for approval by basis of award, 1994

($1,378,861,841)



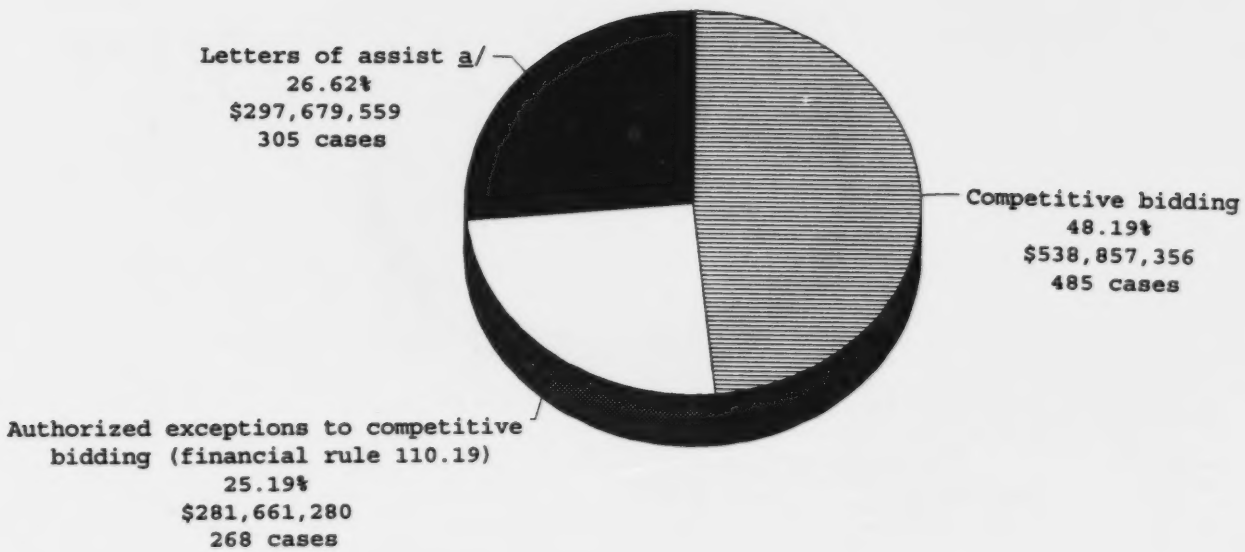
a/ Subjected to competitive pricing inquiries.

ANNEX VI

Headquarters Committee on Contracts

Value of cases recommended for approval by basis of award, 1995

($1,118,198,195)



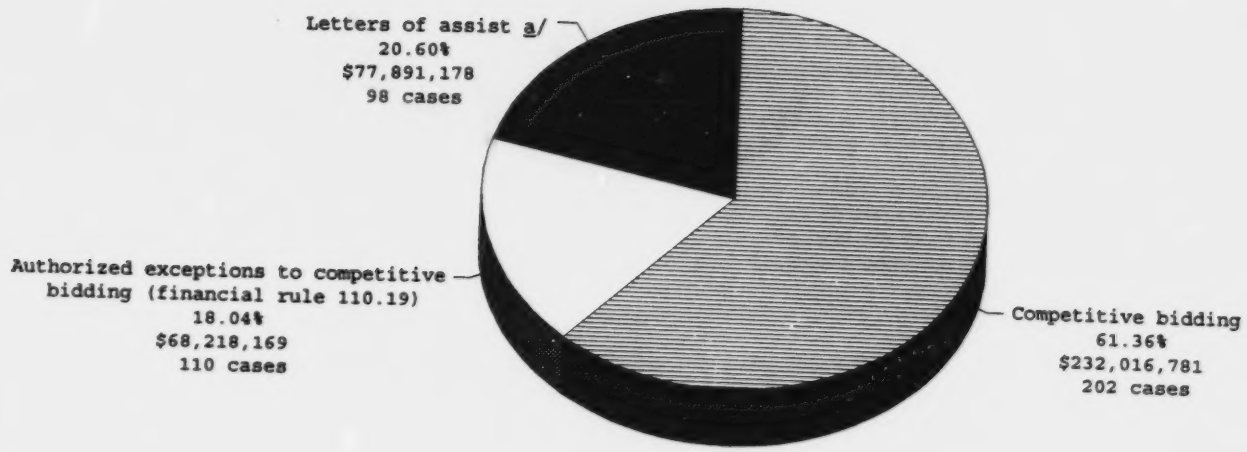
a/ Subjected to competitive pricing inquiries.

ANNEX VII

Headquarters Committee on Contracts

Value of cases recommended for approval by basis of award, January-August 1996

($378,126,128)



a/ Subjected to competitive pricing inquiries.

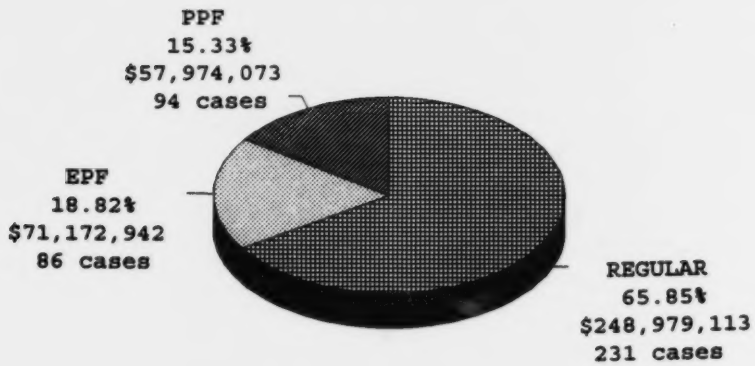
ANNEX VIII

Headquarters Committee on Contracts

Ex post facto cases

1995

January-August 1996



PPF = Partial ex post facto
EPF = Ex post facto

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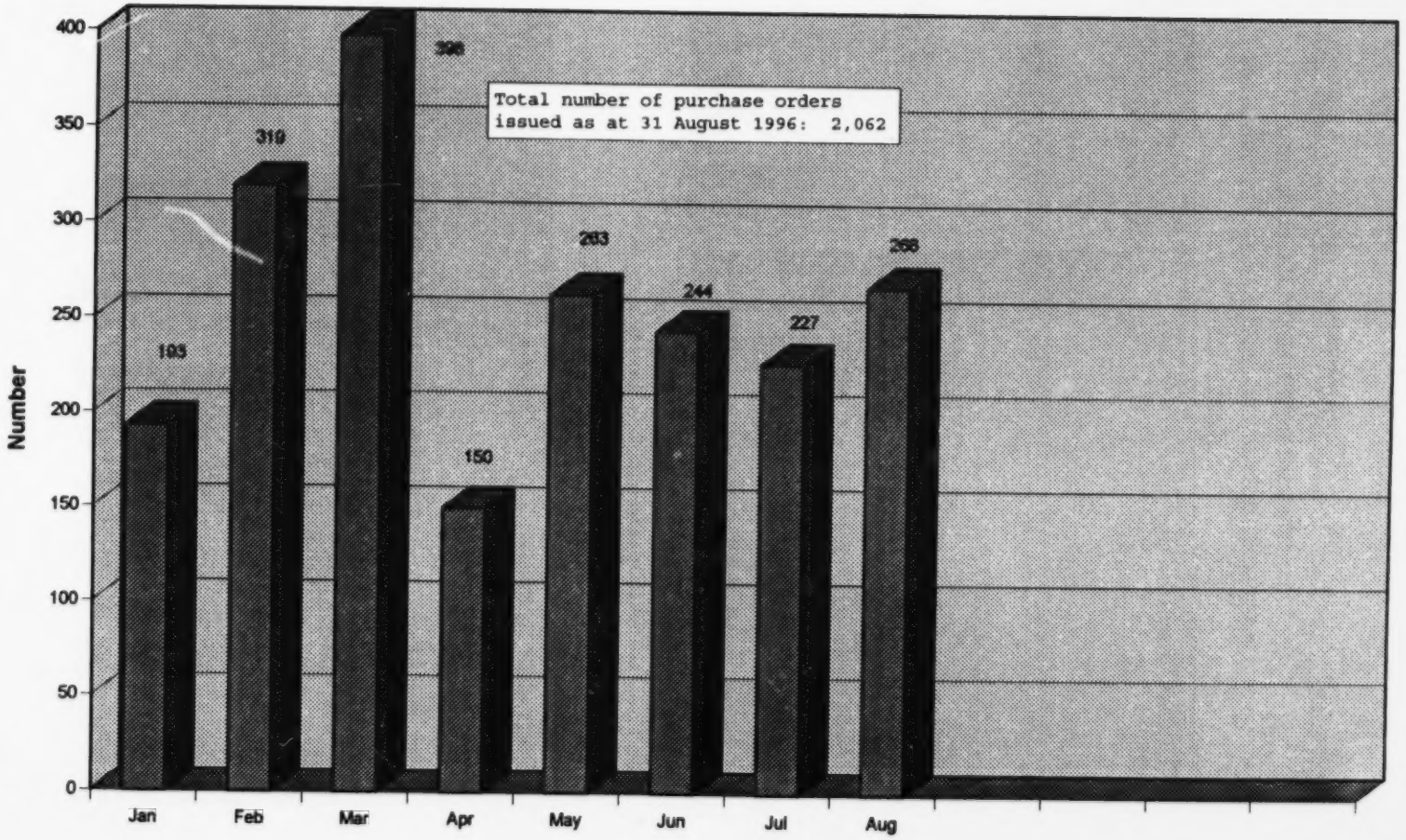
ANNEX IX

Procurement and Transportation Division

Number of purchase orders issued

January-August 1996



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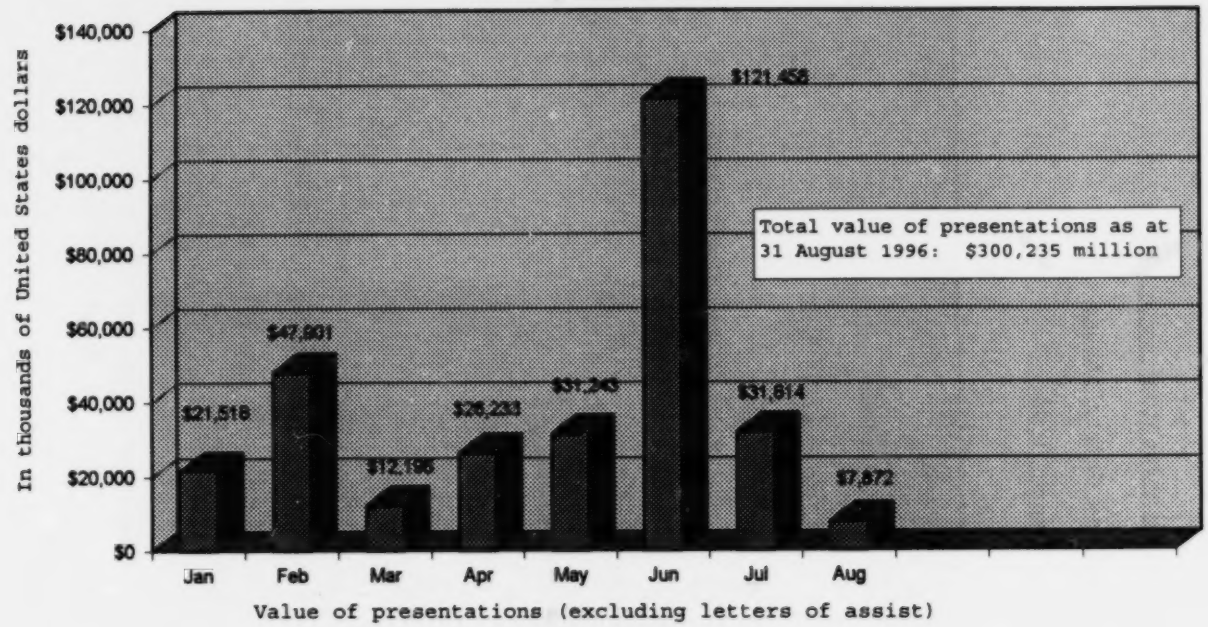
ANNEX X

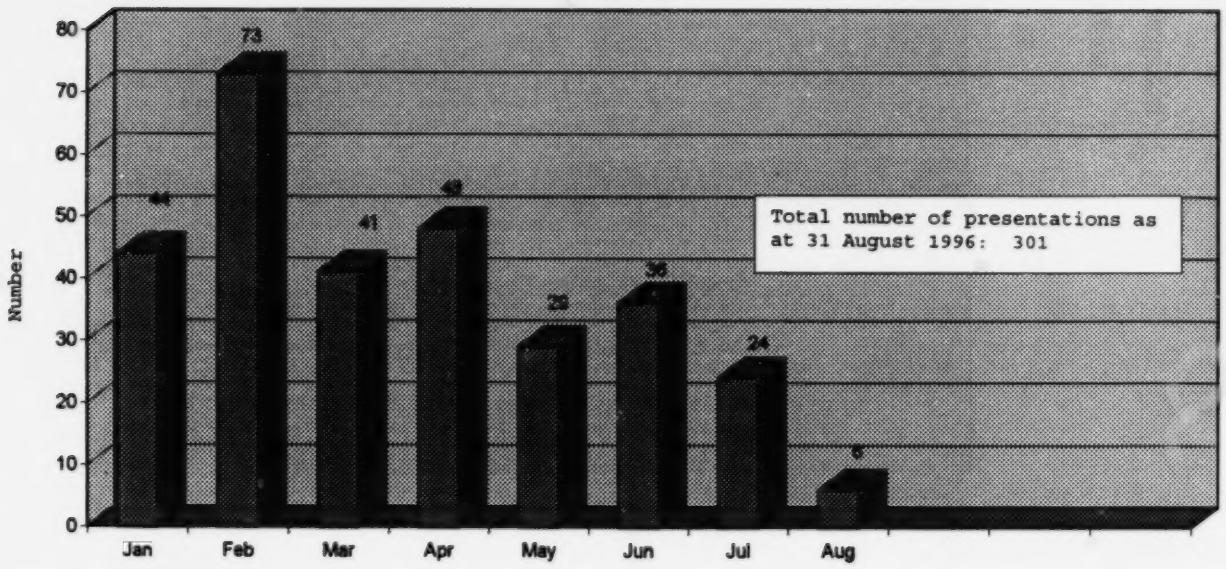
Procurement and Transportation Division

Headquarters Committee on Contracts presentations

January-August 1996



Value of presentations (excluding letters of assist)



Number of presentations (excluding letters of assist)

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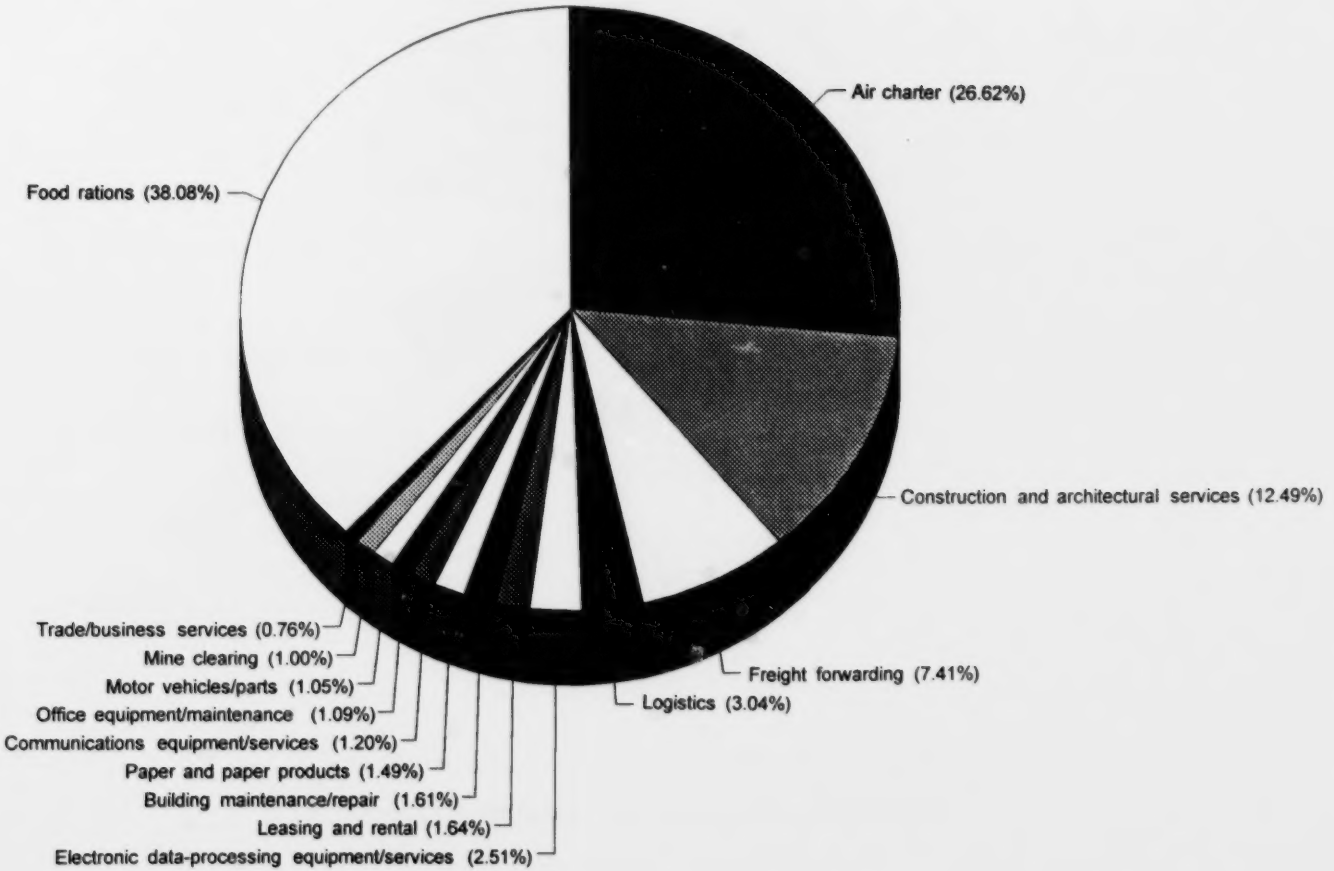
ANNEX XI

Procurement and Transportation Division

Major commodities and services, January-June 1996

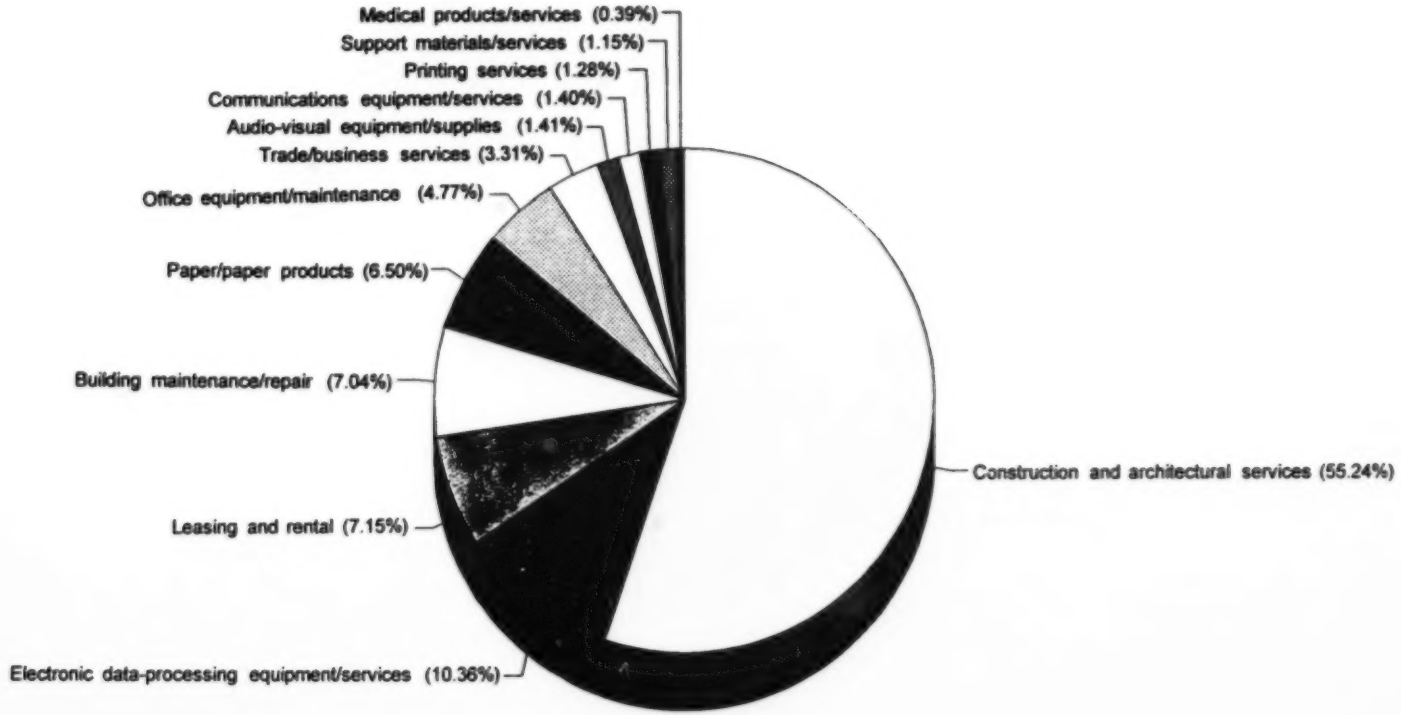


ANNEX XII

Procurement and Transportation Division

Major commodities and services, January-June 1996

Headquarters and offices away from Headquarters



ANNEX XIII

Procurement and Transportation Division

Major commodities and services, January-June 1996

Peacekeeping missions